

***Final Recommendation Report  
On Reuse and Disposal of the  
Seattle Department of Transportation Mercer Corridor Excess Property  
PMA 3330  
June 3, 2014***

**Purpose of Preliminary Report**

In response to a City of Seattle jurisdictional department identifying a property as “excess” to its needs, the Real Estate Services (RES) section of the Department of Finance and Administrative Services (FAS) initiates a process to review and evaluate various options for the property. RES prepares a report titled Preliminary Recommendation Report on the Reuse and Disposal of Excess Property, which documents the Department’s analysis and recommendations. This report is prepared in accordance with City of Seattle Council Resolution 29799, as modified by Resolution 30862.

**Executive Recommendation**

The property located at 1000 Mercer Street is under the jurisdiction of the Seattle Department of Transportation (SDOT) . A portion of the property has been fully developed for transportation uses and will be laid off and dedicated as street right-of-way; the remainder of the property is excess to the City’s needs. Based upon comments from other City departments and from the adjacent private property owner, the Department of Finance and Administrative Services Real Estate Services group recommends that the excess portion of the property be sold at fair market value to the adjacent property owner to allow the property to be developed as a full city block, consistent with the applicable zoning and development code.

**Background Information**

This property is located at the northeast corner of Mercer Street and Terry Avenue. (See Appendix A for a detailed property description). The property was acquired through a condemnation proceeding in 2009. The former business, West Marine, relocated and its building was demolished. Street improvements including new travel lanes, utilities, curb gutters and sidewalks, have been installed in the area of the property to be dedicated as street right-of-way. The funding plan contained in the Fiscal Note for Seattle Ordinance 123992 contemplates that the excess portions of properties acquired for the Mercer Corridor project will be sold to fund the Mercer Corridor Project West Phase.

**Reuse or Disposal Options Evaluation Guidelines**

City of Seattle Resolution 29799, Section 1, requires the Executive to make its recommendation for the reuse or disposal of any property that is not needed by a department using the following guidelines.

**Guideline A: Consistency**

*The analysis should consider the purpose for which the property was originally acquired, funding sources used to acquire the property, terms and conditions of original acquisition, the title or deed*

*conveying the property, or any other contract or instrument by which the City is bound or to which the property is subject, and City, state or federal ordinances, statutes and regulations.*

**Funding Sources:** The property was purchased with money from the Arterial Street Fund.

**Purpose for which property was acquired:** The property was purchased in order to expand the width of Terry Avenue and Mercer Street. A portion of the property which has been developed to support transportation purposes will be laid off and dedicated as right of way.

**Deed or contractual restrictions:** The excess portion of the property is not bound by any other contracts or instruments and is not subject to any laws or regulations.

**City, State or Federal Ordinance status and regulations including, bond, grant or loan programs, State Accountancy Act, Payment of True and full value, Zoning and land use, Comprehensive Plan, and Other plans:** State law requires government organizations to receive fair market value for the disposal of surplus real property. The excess portion of the property is located in the South Lake Union neighborhood and is subject to zoning incentives and restrictions. The property is currently zoned SM 85/65-160.

**Guideline B: Compatibility and Suitability**

*The recommendation should reflect an assessment of the potential for use of the property in support of adopted Neighborhood Plans; in support of low-income housing and/or affordable housing; in support of economic development; for park or open space; in support of Sound Transit Link Light Rail station area development; or in support of child care facilities; and in support of other priorities reflected in adopted City policies.*

**Neighborhood Plan:** The property is located in the South Lake Union Urban Center zone. The Seattle City council adopted legislation in 2013 that increase the development capacity of the neighborhood.

**Housing and Economic Development:** The sale of the property to a private owner will return the property to the active tax rolls, and the subsequent development will add additional economic development to the City.

**Nearby City owned property:** The property is near Lake Union Park. The City purchased other nearby parcels for the Mercer Corridor transportation project. It is near an excess Seattle City Light property at 8<sup>th</sup> and Roy. None of the City-owned properties are contiguous with this parcel. To the extent these other City-owned properties are excess to the City's needs, they are subject to the City's disposition policies and will be addressed separately in other reports.

**Other City Uses:** In November 2013, an Excess Property Notice for this property was circulated to City of Seattle departments to assess interest in City departmental use of the property. FAS/RES received Excess Property Response Forms indicating no interest from the following departments: Seattle Public Library, Seattle City Light, Seattle Department of Planning and Development, and the Seattle Dept. of Parks and Recreation.

The Seattle Office of Housing responded with comments that encourage the property to be developed as follows:

- *Maximize development capacity*
- *Include residential uses*
- *Accelerate development*

- *Exceed housing affordability requirements*
- *Privately fund the project*

The Seattle Human Services Department responded with the following comment:

- *HSD has been looking for appropriate sites to locate a licensed child care facility in South Lake Union, and would welcome participation in developing child care facilities.*

**Other Agencies Use:** An Excess Property Notice for this property was circulated in November 2013 to assess other agencies' interest. No other non-city agency expressed interest in use of the property.

### **Range of Options**

The "Guiding principles for the Reuse and Disposal of Real Property" state, "it is the intent of the City to strategically utilize Real Property in order to further the City's goals and to avoid holding properties without an adopted municipal purpose." The options for disposition of this property include retention by the City for a public purpose, negotiated sale with a motivated purchaser, or sale by public bid or request for proposals.

**Transfer of Jurisdiction to other City Department:** No other City Department expressed a need to purchase the property for a City use.

**Negotiated Sale:** A negotiated sale is typically recommended when the selection of a particular purchaser has specific benefits to the City.

The adjacent property owner has expressed interest in purchasing the property. A negotiated sale to the adjacent property owner will allow this property to be developed to the maximum height, and could include structured underground parking, offices, and ground floor retail. If sold to the adjacent property owner, housing on the entire site would be located with views of Lake Union, and the 20% open space requirement would benefit the entire block.

**Sale through an open competitive process:** A sale through a public competitive bid process may allow the market to determine the optimum price for the property in its current size and configuration. However, this strategy may result in a final price that is lower than a negotiated sale with the adjacent property owner, as the development potential as a stand-alone lot is less than if it was consolidated with a larger development.

### **Guideline C: Other Factors**

*The recommendation should consider the highest and best use of the property, compatibility of the proposed use with the physical characteristics of the property and with surrounding uses, timing and term of the proposed use, appropriateness of the consideration to be received, unique attributes that make the property hard to replace, potential for consolidation with adjacent public property to accomplish future goals and objectives, conditions in the real estate market, and known environmental factors that may affect the value of the property.*

**Highest and Best Use:** The Highest and Best Use is generally defined as the reasonably probable and legal use that produces the highest property value. The highest and best use is determined by evaluating potential uses as follows:

- **Physically possible:** The property is a vacant lot.
  - An analysis of the zoning and development regulations as applied to the excess parcel as a separate lot shows that the site could not be developed to the maximum due to the small lot size. A developer would likely build a two or three-story office building with 750 square foot of retail, seven parking spaces, and about 6,000 square foot of office; vehicle access would be provided from Terry Street, the 20% open space requirement would also be met along Terry Street.
  - A review of the adjacent developer's plan to incorporate the lot into a full-block development could result in a mixed-use building with retail, office, and residential uses, together with supporting underground parking. The project could allow for a larger retail presence on the street and an open space that is consolidated along an open mid-block walk way.
- **Legally permissible:** The subject property is zoned SM 85/65-160 which allows a wider range of mixed commercial spaces with incentives for residential uses if consolidated with the entire block
- **Financially feasible and maximally productive:** Consolidation with the adjacent property would allow the property to be developed to its maximum height and highest density that can be designed for the site, based upon the constraints.

**Compatibility with the physical characteristics and surrounding uses:** Construction of a mixed-use development project on this parcel would be compatible with the surrounding uses in South Lake Union.

**Appropriateness of the consideration:** The City will receive fair market value for the property. As state in the Fiscal Note for Ordinance 123992, the City seeks to obtain revenue through surplus property sales to fund the Mercer Corridor West street improvement project.

**Unique Attributes:** The property does not have any significant attributes.

**Potential for Consolidation with adjacent public property:** There are no public properties that lie adjacent to this property.

**Conditions in the real estate market:** The real estate market in the City of Seattle remains fairly stable, and the South Lake Union area has a great demand for new development.

**Known environmental factors:** A review of property files indicates no evidence to suggest that further environmental assessments or investigations are warranted at this time.

#### **Guideline D: Sale**

*The recommendation should evaluate the potential for selling the property to non-City public entities and to members of the general public.*

**Potential for Use by Non-City Public Entities:** No non-City public entities' use has been identified.

**Public Involvement:** In accordance with Resolution Nos. 29799 and 30862, in November 2013, a notice concerning disposition or other use of this property was sent to all businesses, residents and property owners within a 1,000-foot radius of the subject property. A total of 195 notices were mailed. Only one response was received, from the adjacent property owner, requesting to purchase the property.

### **Threshold Determination**

*The Disposition Procedures require FAS to assess the complexity of the issues on each excess property following the initial round of public involvement. The purpose of this analysis is to structure the extent of additional public input that should be obtained prior to forwarding a recommendation to the City Council.*

The Disposition Procedures provide that FAS assesses the complexity of the issues on each excess property following the initial round of public involvement. The purpose of this analysis is to structure the extent of additional public input that should be obtained prior to forwarding a recommendation to the City Council. Appendix B is the Property Review Process Determination Form prepared for PMA 3330, Parcel at 1000 Mercer Street. Due to the estimated value of the property at over \$1,000,000 and the recommendation to sell, disposition of this property is determined to be a “Complex” transaction.

### **Public Involvement Plan**

For projects that have been determined to be Complex transactions, RES develops a Public Involvement Plan (PIP) that is included with the Preliminary Report. The PIP is to be tailored to the characteristics of each specific excess property and those issues that have been raised during the circulation and notification phase. The Department of Finance and Administrative Services usually prepares the Preliminary Report and PIP, with input from the department with jurisdictional control over the excess property, in this case, SDOT. The PIP is completed before the legislation for real estate disposition is approved by the City Council. A PIP has been prepared for this property and is attached as Appendix C.

### **Next Steps**

This report will be an attachment to the proposed legislation approving the sale of the excess property.

**Appendix A**  
**EXCESS PROPERTY DESCRIPTION**  
**Mercer Corridor Excess Property**  
**PMA 3330**

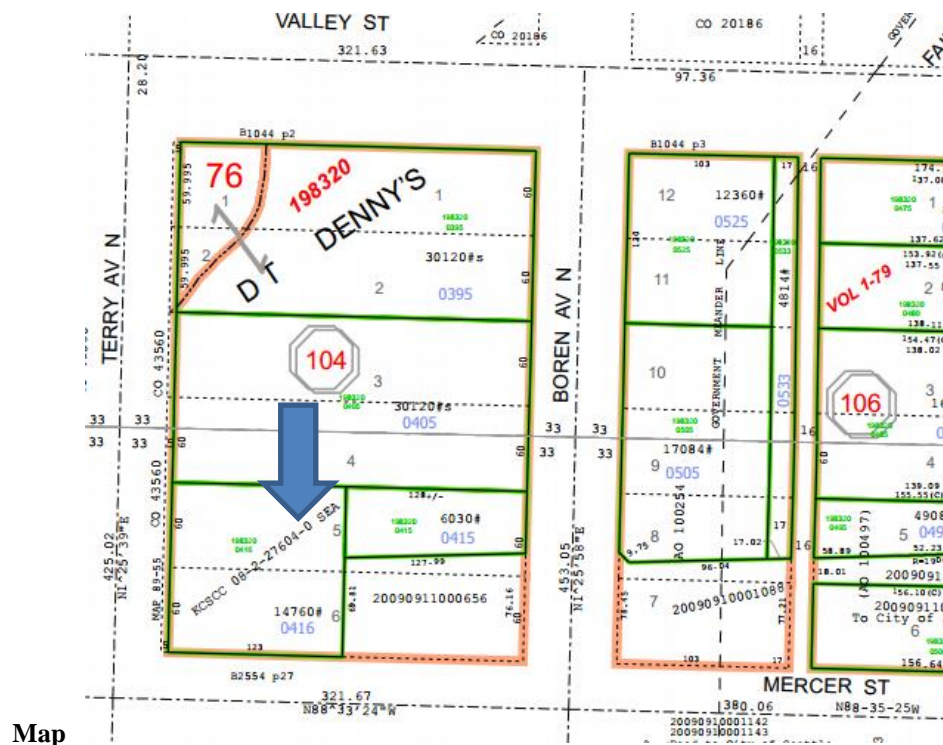
The Seattle Department of Transportation, as the jurisdictional department of this City-owned property, has identified the following information about this excess property.

**Property Name:** 1000 Mercer Street

**Property Management Number: (PMA):** 3330

**Property Location:** Northeast Corner of Mercer St. and Terry Ave.

**Tax parcel I. D. Number:** 198320-0416



**Tax Parcel Legal Description:** West half of lots 5-6, Block 104 David T. Denny's First Addition to North Seattle, according to the plat thereof recorded in Volume 1 of Plats, page 79, in King County, Except West 5 feet thereof heretofore condemned in King County Superior Court Cause number 162246 for widening of Terry Avenue North, as provided by Ordinance number 43560 of the City of Seattle

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**King County assessed value:** NA (2013 King County Assessor Information)

**Size:** Approximately 6,173 square feet, after street dedication

**Zoning:** SM85/65-160

**History:** Property was condemned via King County Superior Court: 08-2-27604-0 SEA , King County Superior Court Stipulation to Just Compensation, Appropriation and Order of Dismissal. Albert and Helene Heglund, and West Marine Inc. were paid just compensation in the amount of \$8,450,000 as a result of the stipulated agreement.

**Ordinances:**

Ord. 123992. 9/17/2012: AN ORDINANCE relating to the Mercer Corridor Project West Phase; removing a proviso in the 2012 Adopted Budget to authorize the Seattle Department of Transportation to spend appropriated funds for construction of the Mercer Corridor Project West Phase.

Ord. 122505, 10/3/2007: An ordinance relating to the Mercer Corridor Project; authorizing the Director of Transportation to acquire all of the property rights necessary for reconstructing the existing Mercer Street/Valley Street couplet with a widened two-way Mercer Street.

**Acquisition Fund Source:** Arterial Street Fund

**Jurisdictional Department's range of estimated market value:** \$2 - 2.2 million

**Destination of funds upon sale:** Mercer Corridor West Capital Improvement Program

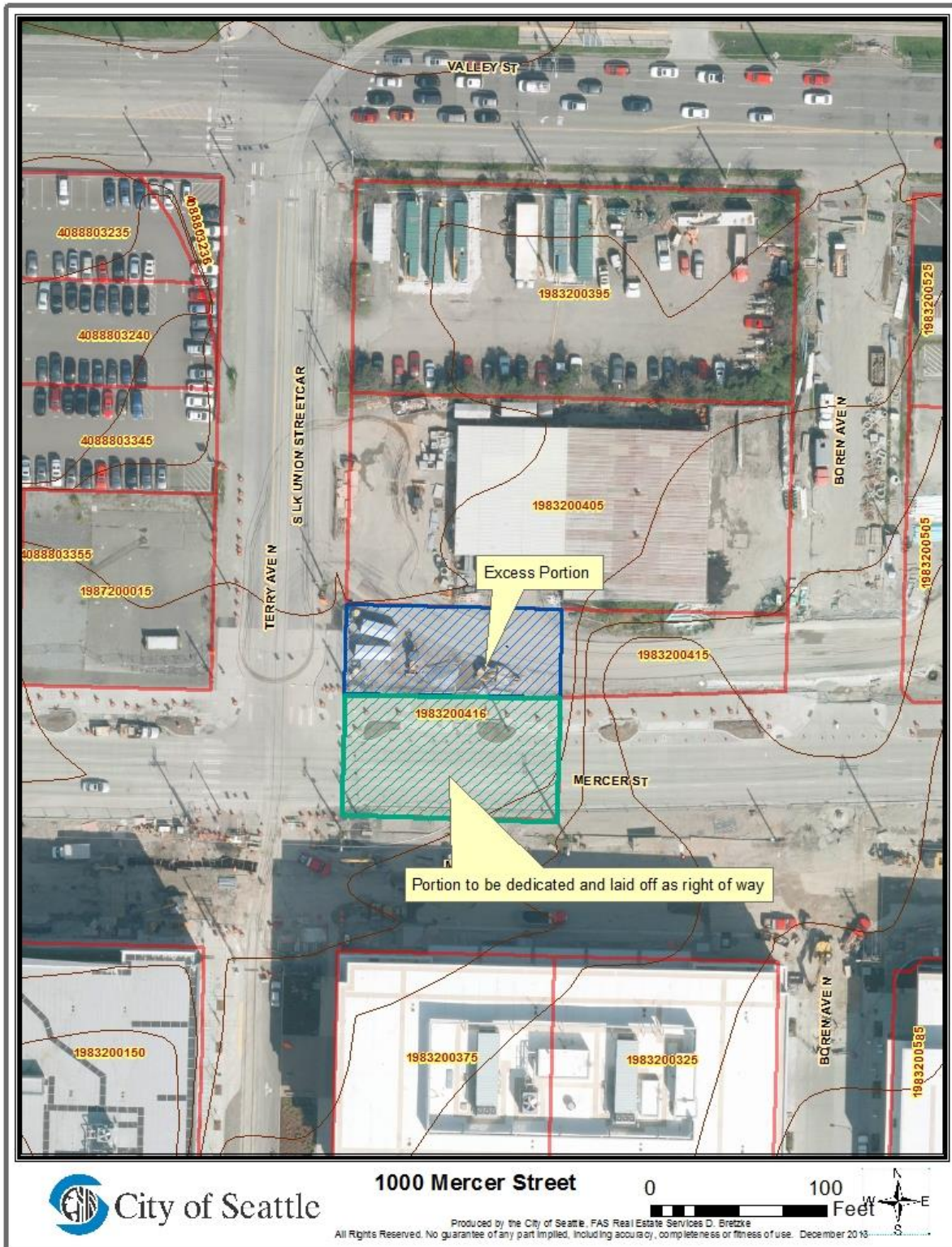
**Current easements, covenants and restrictions:** None known

**Recommended easements, covenants and restrictions upon Transfer:** The southern 69.81 feet of the tax parcel to be dedicated and laid off as street right of way.

**Potential problems with property and possible measures to mitigate their recurrence:**

Previous structures removed. Phase one environmental assessment to be completed.







## Appendix B

PROPERTY REVIEW PROCESS DETERMINATION FORM			
Property Name:	Parcel at 1000 Mercer Street		
Address:	1000 Mercer Street		
PMA ID:	PMA. 3330	Subject Parcels Nos.	198320-0416
Dept./Dept ID:	SDOT	Current Use:	Vacant land/
Area (Sq. Ft.):	6,173 sq.ft. est.	Zoning:	SM85/65-160
Est. Value:	\$ 2-2.5 Million	Assessed Value:	\$ NA
<b>PROPOSED USES AND RECOMMENDED USE</b>			
<i>Department/Governmental Agencies: None</i>		<i>Proposed Use: N/A</i>	
<i>Other Parties wishing to acquire:</i> Adjacent property owner		<i>Proposed Use:</i> Mixed Use Development	
<p>RES'S RECOMMENDED USE:</p> <p>Sell to adjacent property owner in negotiated sale with conditions, or sell in an open and competitive process.</p>			
<b>PROPERTY REVIEW PROCESS DETERMINATION</b> (circle appropriate response)			
1.) Is more than one City Dept. /Public Agency wishing to acquire?	<input checked="" type="radio"/> No / Yes	15	
2.) Are there any pending community proposals for Reuse/ Disposal?	<input checked="" type="radio"/> No / Yes	15	
3.) Have citizens, community groups and/or other interested parties contacted the City regarding any of the proposed options?	<input checked="" type="radio"/> No / Yes	15	
4.) Will consideration be other than cash?	<input checked="" type="radio"/> No / Yes	10	
5.) Is Sale or Trade to a private party being recommended?	No / <input checked="" type="radio"/> Yes	25	
6.) Will the proposed use require changes in zoning/other regulations?	<input checked="" type="radio"/> No / Yes	20	
7.) Is the estimated Fair Market Value between \$250,000-\$1,000,000?	<input checked="" type="radio"/> No / Yes	10	
8.) Is the estimated Fair Market Value over \$1,000,000?	No / <input checked="" type="radio"/> Yes	45	
Total Number of Points Awarded for "Yes" Responses:			<b>70</b>
<p>Property Classification for purposes of Disposal review: Simple <input checked="" type="radio"/> Complex (circle one) (a score of 45+ points result results in a "Complex" classification)</p>			
Signature: Daniel Bretzke, AICP		Department: FAS	Date: February 18, 2014

## **Appendix C**

### **Public Involvement Plan**

#### **Public Involvement Plan (PIP) for Parcel at 1000 Mercer Street**

City procedures require a Public Involvement Plan for complex transactions to facilitate an adequate amount of public involvement on significant real estate transactions. To date, there has been low public interest in this property and no substantive issues have been identified. For this reason, and because the City Council has, through the 2013 budget process provided strategic direction for the sale of excess SDOT property in South Lake Union to fund the Mercer Corridor West project, FAS is recommending a PIP that focuses on the public comments received to date, and collection and presentation of any additional comments received through posting and publication of this plan. The following have provided opportunities for input:

- Previous public involvement to date includes public hearings, council review, planning commission review and design commission review of the Mercer Corridor Improvement plans and zoning and development changes in the South Lake Union planning area.
- The Preliminary Report was sent to parties of record and will be available on the City website.
- A public notice sign was placed onsite indicating the recommendation to sell the property and advising how to contact FAS for information and/or to make comments.
- The Real Estate Oversight Committee has reviewed the Preliminary Report and the Public Involvement Plan. No comments were received.
- FAS has prepared a Final Report, incorporating the REOC's comments as necessary, and has notified the mailing list of the availability of the Final Report.

#### **The following are the next steps and opportunities for community input.**

- SDOT will forward legislation authorizing sale of the property and the dedication of the street right of way, including the Final Report and Public Involvement Report, to the City Council. Notice of legislation will be sent to the persons on the mailing list and no Council briefings or hearings will be held for at least 30 days following the notice.
- FAS will continue to collect all comments and proposals. At the Council committee meeting to take action on the legislation, FAS will provide an updated summary of all comments received to date.
- If the Council determines to hold a public hearing, FAS will provide 14 days' notice of the public hearing to the mailing list members so that interested parties can attend the public hearing and present their ideas and interests to the City Council.